

1. During the year, the Group has the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of the Listing Rules. The transactions described in A, B, C and D below (collectively the “Transactions”) are ongoing connected transactions in respect of which The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has granted conditional waivers to the Company for strict compliance with the disclosure requirements under rule 14.25(1) of the Listing Rules.

Details of the Transactions are as follows:

- A. 中山市山海實業有限公司 (Zhongshan Shan Hai Industrial Co. Ltd.) (“Shan Hai Industrial”) has leased a parcel of land in Zhongshan to and has provided staff quarters and utilities to GD Decorative Material (Zhong Shan) Co., Ltd. (“GD Decorative”) (“Shan Hai Transaction”) in its ordinary course of business and on normal commercial terms for approximately HK\$1,553,000. GD Decorative is a subsidiary of GDH Limited (“GDH”), substantial shareholder of the Company.
- B. 中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co. Ltd.) (“Zhongyue Tinplate”) has provided electricity/water to GD Decorative (“Tinplate Transaction”) in its ordinary course of business and on normal commercial terms for approximately HK\$1,628,000.
- C. Dongguan Guangnan Stock Development Co., Ltd. (“Dongguan Guangnan”), 廣東省東莞食品進出口公司大嶺山豬場 (Dalingshan Pig Farm of Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) (“Dalingshan Pig Farm”) and 東莞廣利飼料公司 (Dongguan Guangli Feed Co. Ltd.) (“Dongguan Guangli”) entered into transactions in the ordinary course of business and on normal commercial terms of Dongguan Guangnan, including: (a) purchase of feed by Dongguan Guangnan from Dalingshan Pig Farm for approximately HK\$205,000; (b) sales of livestock by Dongguan Guangnan to Dalingshan Pig Farm for approximately HK\$974,000; and (c) purchase of feed and additives by Dongguan Guangnan from Dongguan Guangli for approximately HK\$4,019,000 (collectively “Dongguan Guangnan Transactions”). Dalingshan Pig Farm is a subsidiary and Dongguan Guangli is an associated company of 廣東省東莞食品進出口公司 (Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) which was a then connected person of the Company at the time when Dongguan Guangnan Transactions were entered into.
- D. Guangnan (Zhan Jiang) Jiafeng Feed Co. Ltd. (“Guangnan Zhanjiang”) has in its ordinary course of business and on normal commercial terms purchased barley malt sprouts from Guangzhou Malting Co., Limited (“Guangzhou Malting”) with for approximately HK\$1,001,000 (“Guangnan Zhanjiang Transaction”). Guangzhou Malting is an indirect subsidiary of GDH.

All the Independent Non-executive Directors have reviewed the Transactions described in A, B, C and D above and confirmed that Transactions are:

- (i) entered into by Shan Hai Industrial, Zhongyue Tinplate, Dongguan Guangnan and Guangnan Zhanjiang in their ordinary and usual course of businesses;
- (ii) conducted on normal commercial terms or on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iii) entered into in accordance with the terms of agreements governing the Transactions or on terms no less favourable than those available to or from independent third parties.

All the Independent Non-executive Directors also confirmed that:

- (i) the aggregate amount for the year ended 31 December 2003 did not exceed the cap amounts of HK\$2,000,000 for the Shan Hai Transaction and HK\$2,700,000 for the Tinplate Transaction and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2003;
- (ii) the aggregate value of the Dongguan Guangnan Transactions for the year ended 31 December 2003 did not exceed the higher of HK\$10,000,000 and 3% of the book value of the audited net tangible assets of the Group at 31 December 2003; and
- (iii) the aggregate value of the Guangnan Zhanjiang Transaction for the year ended 31 December 2003 did not exceed the higher of HK\$10,000,000 and 3% of the book value of the audited net tangible assets of the Group at 31 December 2003.

The Company's auditors have also reviewed the Transactions and confirmed in its letter to the Board of Directors of the Company, a copy of which has been provided to the Stock Exchange, that:

- (1) the Transactions have received the approval of the Board of Directors of the Company;
- (2) the Shan Hai and Tinplate Transactions have been entered into such that the aggregate amount has not exceeded the Cap Amount of HK\$2,000,000 for the leasing of land and the provisions of staff quarters and utilities and HK\$2,700,000 for the provisions of electricity and water and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2003;
- (3) the Dongguan Guangnan Transactions have been entered into such that the aggregate amount of each of the transactions as stated in the announcement dated 11 July 2002 has not exceeded the Cap Amount of HK\$10,000,000 and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2003;

- (4) the Dougguan Guangnan Transactions have been entered into in line with the Company's pricing policy, which is at prices determined based on the prevailing market prices of livestock, vaccines, feed and/or additives;
 - (5) the Guangnan Zhanjiang Transaction has been entered into such that the aggregate amount of the transaction as stated in the announcement dated 15 May 2003 has not exceeded the Cap Amount of HK\$10,000,000 and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2003; and
 - (6) the Transactions have been entered into in accordance with the terms of the agreement governing the Transactions or on terms no less favourable than those available to or from independent third parties.
2. At the balance sheet date, 高要廣南畜牧發展有限公司 (Gaoyao Guangnan Stock Development Co., Ltd.) ("Gaoyao Guangnan"), a 51%-owned subsidiary of the Company, has a sum due from 廣東省高要食品進出口公司 (Gaoyao Foodstuffs Imp. & Exp. Co., of Guangdong) ("Gaoyao Foodstuffs") amounting to approximately RMB1,680,000 which has been brought forward since 1997 from the amount of approximately RMB153,000, as shown in the financial statements of Gaoyao Guangnan. Such amount is unsecured and interest free. The Group is in negotiation with Gaoyao Foodstuffs for the repayment of the outstanding amount. The amount due from Gaoyao Foodstuffs has been fully provided for as at the balance sheet date.

Gaoyao Foodstuffs is a substantial shareholder with a 49% interest in Gaoyao Guangnan and is therefore a connected person of the Company.
 3. At the balance sheet date, loans previously made by Guangnan Supermarket Development Limited ("GSDL"), a wholly-owned subsidiary, to Guangdong Guangnan Tianmei Food Development Company Limited ("Tianmei"), a 55%-owned subsidiary, are outstanding in an aggregate amount of RMB8,000,000. These loans are unsecured, interest-bearing at a range from 11.5% per annum to 12% per annum. Moreover, GSDL has a sum due from Tianmei, amounting to HK\$59,600,000 at the balance sheet date, which are unsecured and interest free. In July 2001, application has been made by its major creditor to the court in the PRC for putting Tianmei into liquidation. As such, Tianmei has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Tianmei have been fully provided for.
 4. At the balance sheet date, the loan in the sum of HK\$25,000,000 was owed to the Company by Guangnan (KK) Supermarket Limited ("Guangnan KK"), a 70%-owned subsidiary. Such loan was made for its general working capital secured by a first floating charge over Guangnan KK's undertaking, property and assets and interest bearing at Hong Kong dollar prime rate. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.

5. At the balance sheet date, the Company also has a sum due from Guangnan KK totalling HK\$108,800,000. Such amounts are unsecured, interest free, except certain loans amounting to HK\$53,700,000, which are unsecured and interest-bearing at a range from Hong Kong dollar prime rate per annum to 11.5% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.
6. At the balance sheet date, loans previously made by Guangnan Fresh and Live Foodstuffs Limited, a wholly-owned subsidiary, to Guangnan KK are outstanding in an aggregate amount of HK\$23,500,000. These loans are unsecured, interest-bearing at a range from Hong Kong dollar prime rate plus 1% per annum to 8% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.
7. At the balance sheet date, loans previously made by GSDL to Guangnan KK are outstanding in an aggregate amount of HK\$29,300,000 of which HK\$12,500,000 are unsecured and interest-bearing at 3.5% per annum. The remaining loans of HK\$16,800,000 are unsecured and interest free. Also, GSDL has sums of HK\$2,600,000 due from Guangnan KK. Such an amount is unsecured and interest free, except certain advances amounting to HK\$2,000,000, which are unsecured and interest-bearing at a range of 7.75% per annum to 8.5% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.